



## *Trade and Agriculture* **What's at Stake for South Dakota?**

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South Dakota is an important producer and exporter of agricultural products. The State's farm cash receipts totaled \$3.8 billion in 2000, and its exports were estimated at more than \$1 billion, ranking it 15<sup>th</sup> among all 50 states. These exports help boost farm prices and income, while supporting about 15,000 jobs both on the farm and off the farm in food processing, transportation, and manufacturing. Exports are increasingly important to South Dakota's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 27 percent in 2000.

South Dakota's top five agricultural exports in 2000 were:

- # soybeans and products -- \$368 million
- # feed grains and products -- \$239 million
- # wheat and products -- \$142 million
- # live animals and red meats -- \$121 million
- # sunflower seed and oil -- \$74 million

World demand for these products is increasing, but so is competition among suppliers. If South Dakota's farmers, ranchers, and processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

### **South Dakota Benefits From Trade Agreements**

South Dakota is already benefitting from a number of agricultural trade agreements. While there is much to be done, examples of market opportunities include:

- # As the eighth largest exporting State for soybeans and products, South Dakota benefits under the Uruguay Round agreement as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. The tariff reduction has supported a threefold increase in export volume, with sales reaching \$32 million in 2000. The Philippines is reducing tariffs on soybean meal from 10 to 3 percent during the same period, supporting a 40-percent increase in U.S. soybean meal exports that topped \$160 million in 2000.
- # As the 10<sup>th</sup> largest exporter of feed grains and products, South Dakota benefitted under NAFTA when Mexico converted its corn import licensing system to a transitional tariff-rate quota remains in effect until 2008. Under this system, the volume of U.S. corn exports to Mexico has nearly tripled since 1994, reaching 197 million bushels in 2000. Under the Uruguay Round agreement, the Philippines converted its import ban on corn to tariffs, helping support additional demand for 51 million bushels of U.S. corn from 1995 to 2000.

- # South Dakota, 10<sup>th</sup> largest among States in exports of wheat and products, benefitted from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's decision to change its Common Agricultural Policy, ultimately lowering internal EU market prices to world price levels. As a result, annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use, and annual EU wheat imports jumped from 1.5 million tons to 4.5 million tons as the levied margin of protection fell. This translates into an 11-percent reduction in global export competition and a 3-million-ton increase in the EU market, half of which is supplied by the United States.

Under NAFTA, Mexico eliminated import licensing for wheat and is phasing out tariffs. Since 1994, average annual U.S. wheat exports to Mexico have more than doubled, from 20 million bushels to nearly 50 million bushels. In 2000, exports reached 66 million bushels valued at \$200 million.

- # South Dakota benefitted as Japan reduced its tariffs on chilled and frozen beef to 38.5 percent, a move that exceeded its Uruguay Round commitment. Japan's imports of U.S. beef increased from 274,000 tons valued at \$1.3 billion in 1994 to 368,000 tons worth \$1.5 billion in 2000. South Korea eliminated its chilled and frozen beef import quotas in 2001, and will reduce its tariffs to 40 percent by 2004. Supported in part by these changes, South Korea's imports of U.S. beef rose from 60,000 tons valued at \$227 million in 1994 to 143,000 tons worth \$506 million in 2000.

- # As one of the nation's two leading sunflower growers and exporters, South Dakota benefits under the Uruguay Round agreement from a 50-percent reduction in Japan's tariffs and a 40-percent reduction (phased in by 2004) in South Korea's tariffs on sunflower oil. Sunflower oil exports to both countries combined were valued at \$800,000 in 2000.